

Message Text

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SUBJ: AUSTRIANS AND SOVIETS REACH AGREEMENT ON ADDITIONAL
SOVIET GAS DELIVERIES

SUMMARY: AGREEMENTS BETWEEN USSR AND AUSTRIA SIGNED IN VIENNA
THIS WEEK INCLUDE NEW LONG-TERM CONTRACT FOR SUPPLY OF ADDITI-
ONAL SOVIET NATURAL GAS FROM PERIOD 1978 TO YEAR 2000. AUSTRIANS
TO SUPPLY 200,000 TONS OF STEEL PIPE WITHIN NEXT FOUR YEARS AS
WELL AS CREDITS AS PART OF DEAL. BEGINNING JANUARY 1975 PRICE
OF SOVIET NATURAL GAS TO BE ADJUSTED AT REGULAR INTERVALS.

1. PROTRACTED NEGOTIATIONS BETWEEN SOVIETS AND AUSTRIANS
ON NATURAL GAS FINALLY RESULTED IN AGREEMENT IN VIENNA NOV 26.
SEMI-OFFICIAL WIENER ZEITUNG DESCRIBES IN BRIEF TERMS SEVERAL
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SEPARATE AGREEMENTS SIGNED. PRINCIPAL CONTRACT PROVIDES THAT

SOVIETS WILL DELIVER ANNUALLY AT LEAST 500 MILLION AND AS MUCH AS ONE BILLION CUBIC METERS OF GAS TO AUSTRIA IN THE PERIOD JANUARY 1, 1978 THROUGH YEAR 2000. THESE AMOUNTS WOULD BE IN ADDITION TO THE 1.5 BILLION CUBIC METERS SOVIETS ARE DELIVERING ANNUALLY UNDER CURRENT AGREEMENT SIGNED IN 1968.

2. WE UNDERSTAND THAT SOVIETS ALSO INDICATED THAT THEY MAY BE PREPARED TO SUPPLY AUSTRIA WITH ADDITIONAL ANNUAL DELIVERIES OF FROM 250,000 TO 500,000 CUBIC METERS IN PERIOD 1975 TO 1978 WHEN NEW CONTRACT BEGINS.

3. THUS, TOTAL QUANTITIES OF SOVIET NATURAL GAS DELIVERED ANNUALLY TO AUSTRIA WOULD BE AS FOLLOWS: 1975-77, BETWEEN 1.75 AND TWO BILLION CUBIC METERS; 1978-2000, 2 TO 2.5 BILLION CUBIC METERS.

4. SECOND AGREEMENT SIGNED PROVIDES FOR SUPPLY BY AUSTRIA TO USSR OF 200,000 METRIC TONS OF STEEL PIPE WITHIN THE NEXT FOUR YEARS. (WE PRESUME THAT THIS PIPE WILL PROBABLY BE MANUFACTURED IN FRG FROM STEEL PRODUCED IN AUSTRIAN MILLS.)

5. A SEPARATE AGREEMENT WAS ALSO CONCLUDED BETWEEN THE SOVIET FOREIGN TRADE BANK AND THE AUSTRIAN KONTROLLBANK PROVIDING CREDITS FOR THE SUPPLY OF PIPE. AMOUNT AND TERMS OF CREDIT NOT DISCLOSED. (KONTROLLBANK IS GOVERNMENT-CONTROLLED BANK WHICH PROVIDES EXPORT FINANCING.)

6. PRICES FOR GAS UNDER NEW LONG-TERM CONTRACT NOT DISCLOSED, BUT REPORTEDLY WILL BE DETERMINED ON BASIS OF AN INDEX COMPRISING DATA ON PRICES OF IMPORTED CRUDE AND SELECTED PETROLIUM PRODUCTS, PRICES TO BE ADJUSTED TWICE YEARLY.

7 WITH REGARD TO GAS DELIVERIES UNDER CURRENT CONTRACT, PRICES SET IN 1968 AGREEMENT WILL, UNDER TERMS OF THAT CONTRACT, BE REPLACED BY SLIDING SCALE PRICING AT BEGINNING OF NEXT YEAR.

8. DIRECTOR GENERAL BAUER OF AUSTRIA'S NATIONAL OIL ADMINISTRATION, CONFIRMED ESSENTIALS OF THESE AGREEMENTS TO ECONOMISTS TODAY. BAUER DECLINED TO DISCUSS PRICE TERMS HOWEVER. THERE ARE WIDESPREAD REPORTS THAT BEGINNING NEXT YEAR PRICE OF UNCLASSIFIED

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SOVIET GAS WILL DOUBLE AND BY 1978 MAY BE ABOUT FOUR TIMES CURRENT PRICES. BAUER INDICATED THAT WHILE SOVIETS COMMITTED IN NEW LONG-TERM CONTRACT TO BEGIN IN 1978 TO PROVIDE AT LEAST 500 MILLION CUBIC METERS ANNUALLY, SOVIETS HAVE EXPRESSED FIRM INTENT TO SUPPLY AS MUCH AS ONE BILLION CUBIC METERS ANNUALLY IF POSSIBLE, BUT THERE IS NO HARD AND FAST COMMITMENT IN CONTRACT TO PROVIDE MORE THAN MINIMUM OF 500 MILLION CUBIC METERS.
HUMES

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